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SUBJECT: AmCham Explores Guangxi, Discovers Investment Opportunities  
in Nanning, Liuzhou, and Guilin

REF: A) 06 Guangzhou 4469

- B) 06 Guangzhou 4352
- C) 06 Guangzhou 4059
- D) 06 Guangzhou 4033
- E) 06 Guangzhou 3992

¶1. (U) SUMMARY: Provincial-level and city leaders in the Guangxi cities of Nanning, Liuzhou and Guilin told the Consul General, the President of the American Chamber of Commerce South China and a 72-person business delegation that Guangxi was open for foreign business trade and investment. The leaders in each city stressed that the favorable business environment combined with rapid infrastructure development in Guangxi makes now the time to invest. By the end of the January 23-26 visit in Guangxi, several delegation members had either begun or completed negotiations for an expansion of their businesses into Guangxi. END SUMMARY.

¶2. (U) The Consul General fulfilled a 2006 promise made by the former Consul General to the leaders of Guangxi that the consulate would work with the AmCham to bring a trade and investment delegation to the region. AmCham President Harley Seyedin accompanied the Consul General and brought 72 members of the Chamber (all with a business presence in South China) to investigate trade and investment opportunities. This was the largest investment delegation AmCham had ever sent to Guangxi. The Consul General and consulate members met separately with various development officials in each city during the trip (septel).

¶3. (U) The delegation visited Nanning, Guangxi's political capital, from January 23-24. Deputy Director Yan of the Administrative Commission of Nanning's National High-tech Zone led the delegation on a brief tour of the Zone, which was named a national-level high-tech zone in 1992. The Zone and surrounding areas are home to hundreds of enterprises in the biotechnology (particularly Chinese traditional medicine), power equipment, industrial lighting, and modern agriculture sectors, among others. The Coca-Cola Company and more than 150 other foreign companies operate within the Zone; 20% of Nanning's business and industrial output is the result of foreign investment. In addition, the Deputy Director stressed that the Zone hosts 31 educational institutions. In a separate meeting, Vice Governor Li Jinzao said that despite increasing investment levels, Guangxi is still well behind other provinces in terms of attracting foreign business. Guangxi's 2006 economic volume of RMB 500 billion (USD 64 billion, ranked 17th in China) trails both its population (ranked 10th in China at 50 million) and land mass (9th in China).

¶4. (U) On January 24, in Liuzhou, the industrial capital of Guangxi, Vice Mayor Zheng told the delegation that Liuzhou's 2006 GDP reached RMB 62 billion (USD 7.9 billion), a 17.7% increase over last year. Liuzhou's primary industries are automobile manufacturing, metallurgy (steel), and industrial machinery production. According to Zheng, Liuzhou's automobile plants (including the joint venture GM-Wuling Automobile Plant) produced

520,000 cars in 2006, the 5th highest output in China. As part of the trip, the Company Party Secretary led the delegation on a brief tour of the General Motors factory, which produces the Wuling-branded mini-vans, pickups, and the GM Spark - a small passenger car that the delegates saw frequently on the streets of Guangxi. Zheng said Liuzhou's 2006 steel output was 5.5 million tons, and 2007 output is expected to reach 7 million tons. He noted that the Liugong Industrial Machinery Company is the top industrial machinery producer in China, and the second biggest producer in the world next to Caterpillar (which introduced its technology to Liugong in the 1980s). Of the top 500 enterprises in China, only 5 have operations in Liuzhou.

15. (U) Guilin Deputy Mayor Chen Jianjun told the delegation January 25 that Guangxi's natural beauty made the city the province's cultural capital and top tourist destination. He added that the city needed to balance economic development with environmental protection. Deputy Mayor Chen and Vice Deputy General for Investment Jing both said that in order to maintain this balance, economic development in Guilin's National High-tech Zone (established in 2000) focused on high-tech, less polluting industries. Core industries included: electronic and information production, medicine, food and beverage, environmental, and bioengineering. Jing said companies such as Pepsi, NEC Japan, and Ingersoll-Rand had all invested in the High-tech Zone.

16. (U) In all three cities, leaders emphasized that Nanning, Liuzhou, and Guilin represent an important corridor of economic development in China and a gateway to southwest China and ASEAN. At the juncture of the Pan-Pearl River Delta, southwest China, and the ASEAN free trade zone, Guangxi was now as ripe for development as Guangdong had been a decade before. Moreover, investors could take advantage of the Chinese government's preferential tax policies for Western China development and minority autonomous regions, as well as lower labor and resource costs. Finally, leaders in each city

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emphasized their commitment to improving infrastructure - roads, railways, airport upgrades, and ports (including Beibu port and the expressway linking Guangxi to the countries of Southeast Asia) - as a sign of the ease with which goods could flow inside China and to the outside world.

17. (U) Officials commented that the trip further strengthened the long and friendly relations between Guangxi and the United States. Several officials reminded the delegation that Guangxi's friendship with the United States dated to when the Flying Tigers were based in Guangxi during the war against Japan.

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